

1Q/FY2021 Teleconference Major Q&A

Date/Time: August 5, 2021 (Thu.) 3:30pm - 4:30pm(JST)

Speaker: Tomoki Matsumoto, Member of the Board, Executive Officer, CFO

<Overall earnings>

Q. Impact of raw material prices and market forecast for the future

A. Income from vegetable oils and fats business increased on higher sales volume thanks to market recovery and pricing strategy. However, overall raw material prices increased to levels that were higher than initially expected. We are assuming that raw material prices in Japan will continue to increase in Q2. As such, while we have set aside an allowance for raw material price fluctuations, considering our raw material position in the USA, there is a possibility we could see a declining in profitability. A key issue will be whether or not we can cover that position by expanding sales of highly profitable products and with second half price revisions.

Q. Status of full-year forecast relative to plans

A. Overall, at present we are progressing without any significant deviation from plans. In Southeast Asia, although progress varies by each group company, aim to achieve the profit plan in the region.

Brazil is progressing according to expectations. Progress at Blommer is below plans but we will make up for that through the favorable chocolate business in Japan to secure profits.

<Industrial Chocolate>

Q. Status of current problems at Blommer

A. During Q1 (February to April 2021), volume increased mainly on a rebound from the impact of COVID-19 last year. However, the difficult labor environment in the USA is causing a labor shortage and high turnover, which is causing delays to plant optimization efforts and leading to increased loss due to product waste because of poor quality. This is creating conditions that make it difficult to respond to demand. The difficult labor environment is not unique to Blommer, and is something that is impacting the entire market. We intent to address these conditions by improving benefits and labor conditions. As for efforts to improve our rate of conforming products, while there are differences in the rate of progress depending on the plant, we are making improvements overall. However, we do recognize that we are facing delays in capital expenditures due to a focus on responding to increased demand for specific products and because we are prioritizing fulfilling our responsibilities as a supplier.

Q. Status of chocolate market in China

A. Overall, the chocolate market in China is not seeing significant growth in volume but market scope appears to be growing. This is due to a shift from the cheap chocolate typically seen on the market to more expensive, delicious foreign chocolate from western and Japanese manufactures. We will capture such demand and provide a stable supply of high-quality chocolate to secure increased sales volume.

<Other>

Q. Southeast Asia problems and direction of reforms

A. The current major issue in Southeast Asia is the significant impact of COVID-19, which continues to create difficult conditions.

There are numerous products for which we have a strong share but sales volume is stagnant and the high cost of raw materials had made it difficult to secure profits. As such, we will pursue profits by consolidating plants for the preparations business to improve efficiency and by providing high-level service to our customers. At present, the head of Fuji Oil Asia who newly took office in April is drafting plans for structural reforms and cost reduction measures ahead of the next Mid-Term Management Plan.